

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Surrey Township	County Clare
Fiscal Year End 6/30/06	Opinion Date 7/20/06	Date Audit Report Submitted to State 12/13/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

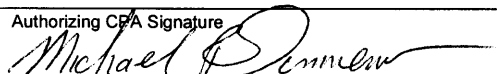
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES** **NO** **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	Not applicable.	
Certified Public Accountant (Firm Name) Yeo & Yeo, CPA's and Business Consultants		Telephone Number 989-631-6060	
Street Address 6018 Eastmen Ave.		City Midland	State MI
		Zip 48640	
Authorizing CPA Signature 	Printed Name Michael R. Zimmerman	License Number 1101018243	

**SURREY TOWNSHIP**  
**Clare County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**June 30, 2006**

## Table of Contents

<u>Section</u>	<u>Page</u>
1 <b>List of Elected and Appointed Officials</b>	1–1
2 <b>Independent Auditors' Report</b>	2–1
3 <b>Managements' Discussion and Analysis</b>	3–1
4 <b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	4–1
Statement of Activities	4–2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4–3
Reconciliation of the Balance Sheet of Governmental Funds to the Statements of Net Assets	
Statements of Net Assets	4–4
Statement of Revenues, Expenditures and Changes in Fund Balances	4–5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4–6
Fiduciary Fund	
Statement of Fiduciary Assets and Liabilities	4–7
Notes to Financial Statements	4–8
5 <b>Required Supplemental Information</b>	
Budgetary Comparison Schedule – General Fund	5–1
Budgetary Comparison Schedule – Library Fund	5–2
Budgetary Comparison Schedule – Fire Fund	5–3
Budgetary Comparison Schedule – Rubbish Collection Fund	5–4

**Other Supplemental Information**

Combining Balance Sheet – Nonmajor Governmental Funds

6–1

Combining Statement of Revenues, Expenditures and Changes in  
Fund Balance – Nonmajor Governmental Funds

6–2

**SURREY TOWNSHIP**  
**List of Elected and Appointed Officials**  
**June 30, 2006**

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TOWNSHIP BOARD

RUSSELL HAMILTON	SUPERVISOR
CHRISTINA EVERITT	CLERK
ESTHER PITCHFORD	TREASURER
NANCY JONES	TRUSTEE
CAROL DIXON	TRUSTEE



6018 Eastman Avenue  
Midland, MI 48640  
Phone (989) 631-6060 / (800) 701-3574  
Fax (989) 631-4288

## **Independent Auditors' Report**

To the Members of the Township Board  
Surrey Township  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Surrey Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Surrey Township as of June 30, 2006 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Surrey Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Midland, Michigan

July 20, 2006

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

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Surrey Township (the "Township"), Michigan is in its second year of implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

### **Overview of Financial Statements**

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

### **Government-wide Financial Statements:**

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,



**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

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expenditures, and changes in fund balances for the general, library, fire protection, and rubbish collection funds, each of which are considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township's major funds.

#### **SUMMARY OF NET ASSETS:**

##### **Township's Net Assets**

The following summarizes the Township's net assets at June 30:

	2006	2005
Assets		
Current assets	\$ 1,031,864	\$ 896,739
Capital assets	2,423,235	2,403,455
Less accumulated depreciation	<u>(1,133,903)</u>	<u>(1,047,044)</u>
Net capital assets	<u>1,289,332</u>	<u>1,356,411</u>
Total assets	<u>2,321,196</u>	<u>2,253,150</u>
Liabilities		
Current liabilities	22,947	67,351
Long-term liabilities	<u>247,470</u>	<u>349,495</u>
Total liabilities	<u>270,417</u>	<u>416,846</u>
Net assets		
Investment in capital assets, net of related debt	966,992	1,010,173
Restricted for debt service	5,295	43,222
Unrestricted	<u>1,078,492</u>	<u>782,909</u>
Total net assets	<u>\$ 2,050,779</u>	<u>\$ 1,836,304</u>

During the fiscal year ended June 30, 2006, the Township's net assets increased by \$214,475.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Surrey Township, assets exceeded liabilities by \$2,050,779.

A portion of the Township's net assets (54%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that are still outstanding. The Township

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Township's Changes in Net Assets**

**Revenues:**

	Year Ended June 30, 2006	Year Ended June 30, 2005
Program revenue		
Charges for services	\$ 277,245	\$ 244,617
Operating grants and contributions	3,366	1,072
Capital grants and contributions	-	38,110
General revenue:		
Property taxes	444,629	429,470
State share revenue	201,611	202,776
Interest and investment earnings	18,880	8,418
Miscellaneous	8,002	4,885
Total Revenues	<u>953,733</u>	<u>929,348</u>

**Expenses:**

	Year Ended June 30, 2006	Year Ended June 30, 2005
General government	\$ 284,860	\$ 208,445
Public safety	18,367	10,873
Public works	82,883	107,522
Library	220,503	220,993
Fire protection	185,580	168,019
Rubbish collection	81,547	84,357
Interest on long-term debt	11,902	15,247
Other	17,356	59,506
Total expenses	<u>902,998</u>	<u>874,962</u>
Change in net assets	<u>50,735</u>	<u>54,386</u>
Net assets - beginning	1,836,304	1,781,918
Prior period adjustment	<u>163,740</u>	<u>-</u>
Net assets - beginning restated	2,000,044	1,781,918
Net assets - ending	<u><u>\$ 2,050,779</u></u>	<u><u>\$ 1,836,304</u></u>

**Prior Period Adjustment**

Net assets as of June 30, 2006 were restated to record road assessment liens receivable for the Surrey Lake and Lake 13 special assessments for road paving. The result of this was to increase unrestricted net assets by \$163,740.

**Governmental Activities**

The Township's total governmental revenue increased by \$24,385 from last fiscal year. This was primarily attributed to new assessment for Bear Lake, which amounted to \$17,970. The remainder of the difference is attributable to various small items.

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

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**Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$875,971, an increase of \$37,853 in comparison with the prior year. Approximately 99% of this amount (\$870,676) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for debt service.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$294,626. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 81% of total general fund expenditures.

The fund balance of the General Fund decreased by \$43,814 during the current fiscal year, which is mainly due to appraisal done during 2006 for all residential properties located in the Township. The appraisal was done to update Township's listing of all residential properties for taxing purposes.

The fund balance of the Library Fund increased by \$20,267 during the current fiscal year, which is attributable to revenue increases in tax revenue, penal fines, and new contract for services with Grant Township.

The fund balance of the Fire Protection Fund increased by \$40,926 during the current fiscal year, which was due to slight increase in tax revenue, donations for the purchase of imaging camera, and overall spending control.

The fund balance of the Rubbish Collection Fund increased by \$30,229 during the current fiscal year, which is comparable to prior year increase and is mainly results of revenues and expenses remaining at the same level as in prior year.

**General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

**Capital Assets and Debt Administration**

**Capital Assets**

The Townships investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$1,289,332 (net of accumulated depreciation). Investment in capital assets included land, buildings, and equipment.

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Capital assets not being depreciated				
Land	\$ 74,870	\$ -	\$ -	\$ 74,870
Capital assets being depreciated				
Land improvements	3,000	-	-	3,000
Buildings and improvements	1,166,439	-	-	1,166,439
Furniture and equipment	451,425	19,780	-	471,205
Vehicles	707,721	-	-	707,721
Capital assets	2,403,455	19,780	-	2,423,235
Less:				
Accumulated depreciation	(1,047,044)	(86,859)	-	(1,133,903)
Governmental activities capital assets, net	\$ 1,356,411	\$ (67,079)	\$ -	\$ 1,289,332

**Long-term Debt**

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$247,470.

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
Special assessment bonds	\$ 207,869	\$ -	\$ 61,375	\$ 146,494
Notes payable	141,626	-	40,650	100,976
	<u>\$ 349,495</u>	<u>\$ -</u>	<u>\$ 102,025</u>	<u>\$ 247,470</u>

**Economic Factors and Next Year's Budget**

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in economy. For 2005-2006, the Township received \$193,104 in state shared revenue, representing 60% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

**Request for Information**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at Surrey Township, Clare County, Michigan.

**Township of Surrey**  
**Statement of Net Assets**  
**June 30, 2006**

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<b>Assets</b>	
Cash and cash equivalents	\$ 863,433
Due from other governmental units	31,204
Road assessment liens receivable	132,946
Prepaid expenditures	4,281
Capital assets not being depreciated	74,870
Capital assets - net of accumulated depreciation	<u>1,214,462</u>
Total assets	<u>2,321,196</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	10,275
Accrued expenses	12,672
Noncurrent liabilities	
Due within one year	75,362
Due in more than one year	<u>172,108</u>
Total liabilities	<u>270,417</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	966,992
Restricted for:	
Debt service	5,295
Unrestricted	<u>1,078,492</u>
Total net assets	<u><u>\$ 2,050,779</u></u>

**Township of Surrey**  
**Statement of Activities**  
**Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 284,860	\$ 25,493	\$ -	\$ -	\$ (259,367)
Public safety	18,367	-	-	-	(18,367)
Public works	82,883	63,646	-	-	(19,237)
Library	220,503	48,839	-	-	(171,664)
Fire protection	185,580	33,679	3,366	-	(148,535)
Rubbish collection	81,547	105,588	-	-	24,041
Interest on long-term debt	11,902	-	-	-	(11,902)
Culture and recreation	17,356	-	-	-	(17,356)
Total governmental activities	<u>\$ 902,998</u>	<u>\$ 277,245</u>	<u>\$ 3,366</u>	<u>\$ -</u>	<u>(622,387)</u>
General revenues					
Property taxes, levied for general purposes					444,629
State shared revenue					201,611
Interest and investment earnings					18,880
Miscellaneous					<u>8,002</u>
Total general revenues					<u>673,122</u>
Change in net assets					<u>50,735</u>
Net assets - beginning					1,836,304
Prior period adjustment					<u>163,740</u>
Net assets - beginning restated					<u>2,000,044</u>
Net assets - ending					<u>\$ 2,050,779</u>

See Accompanying Notes to Financial Statements

**Township of Surrey**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	General	Library	Fire Protection	Rubbish Collection	Other Governmental Funds	Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 278,727	\$ 162,166	\$ 184,728	\$ 164,844	\$ 72,968	\$ 863,433
Due from other governmental units	27,847	3,357	-	-	-	31,204
Road assessment liens receivable	-	-	-	-	132,946	132,946
Prepaid expenses	1,972	350	1,959	-	-	4,281
Total assets	<u>\$ 308,546</u>	<u>\$ 165,873</u>	<u>\$ 186,687</u>	<u>\$ 164,844</u>	<u>\$ 205,914</u>	<u>\$ 1,031,864</u>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 4,822	\$ 1,917	\$ 497	\$ 3,039	\$ -	\$ 10,275
Deferred revenue	-	-	-	-	132,946	132,946
Accrued expenses	9,098	-	3,574	-	-	12,672
Total current liabilities	<u>13,920</u>	<u>1,917</u>	<u>4,071</u>	<u>3,039</u>	<u>132,946</u>	<u>155,893</u>
<b>Fund Balance</b>						
Reserved for debt service	-	-	-	-	5,295	5,295
Unreserved, reported in:						
General fund	294,626	-	-	-	-	294,626
Special revenue funds	-	163,956	182,616	161,805	67,673	576,050
Total fund balance	<u>294,626</u>	<u>163,956</u>	<u>182,616</u>	<u>161,805</u>	<u>72,968</u>	<u>875,971</u>
Total liabilities and fund balance	<u>\$ 308,546</u>	<u>\$ 165,873</u>	<u>\$ 186,687</u>	<u>\$ 164,844</u>	<u>\$ 205,914</u>	<u>\$ 1,031,864</u>

See Accompanying Notes to Financial Statements

**Township of Surrey**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Assets**  
**June 30, 2006**

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<b>Total fund balances for governmental funds</b>	\$ 875,971
Total net assets reported for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore are not reported in the funds	132,946
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	74,870
Capital assets - net of accumulated depreciation	1,214,462
Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(247,470)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 2,050,779</u></u>



**Township of Surrey**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2006**

	General	Library	Fire Protection	Rubbish Collection	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes and penalties	\$ 92,025	\$ 165,543	\$ 187,061	\$ -	\$ -	\$ 444,629
Licenses and permits	3,334	-	-	-	-	3,334
County penal fines	-	41,618	-	-	-	41,618
State shared revenue	193,104	6,689	-	-	1,818	201,611
Special assessments	-	-	-	-	102,576	102,576
Charges for services	22,159	7,221	33,679	105,588	-	168,647
Interest income	7,847	-	1,198	961	738	10,744
Donations	-	-	3,366	-	-	3,366
Other revenue	3,092	2,780	2,130	-	-	8,002
Total revenues	<u>321,561</u>	<u>223,851</u>	<u>227,434</u>	<u>106,549</u>	<u>105,132</u>	<u>984,527</u>
<b>Expenditures</b>						
Current						
General government	272,130	-	-	-	-	272,130
Public safety	16,549	-	-	-	-	16,549
Public works	45,213	-	-	-	-	45,213
Other	17,356	-	-	-	-	17,356
Library	-	203,584	-	-	-	203,584
Fire Protection	-	-	135,255	-	-	135,255
Rubbish collection	-	-	-	76,320	-	76,320
Surrey lake improvement	-	-	-	-	8,056	8,056
Lake 13 improvement	-	-	-	-	27,956	27,956
Liquor enforcement	-	-	-	-	1,818	1,818
Capital outlay	14,127	-	5,653	-	-	19,780
Debt service						
Principal redemption	-	-	40,650	-	61,375	102,025
Interest	-	-	4,950	-	15,682	20,632
Total expenditures	<u>365,375</u>	<u>203,584</u>	<u>186,508</u>	<u>76,320</u>	<u>114,887</u>	<u>946,674</u>
Net change in fund balance	(43,814)	20,267	40,926	30,229	(9,755)	37,853
Fund balance - beginning	<u>338,440</u>	<u>143,689</u>	<u>141,690</u>	<u>131,576</u>	<u>82,723</u>	<u>838,118</u>
Fund balance - ending	<u>\$ 294,626</u>	<u>\$ 163,956</u>	<u>\$ 182,616</u>	<u>\$ 161,805</u>	<u>\$ 72,968</u>	<u>\$ 875,971</u>

See Accompanying Notes to Financial Statements

**Township of Surrey**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2006**

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<b>Net change in fund balances - total governmental funds</b>	\$ 37,853
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(86,859)
Capital assets additions	19,780

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Special assessments	(30,794)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt	102,025
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds	8,730
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<b>Change in net assets of governmental activities</b>	<u><u>\$ 50,735</u></u>
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**Township of Surrey**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2006**

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**Assets**

Cash and cash equivalents	<u>\$ 509</u>
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**Liabilities**

Due to other governmental units	<u>\$ 509</u>
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See Accompanying Notes to Financial Statements

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2006**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Surrey Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**Reporting entity**

The Township is governed by an elected five-member Board of Trustees. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate component units of the Township. The Township has no component units.

**Government-wide financial statements**

The Township's basic financial statements include both government-wide (reporting for the Township as a whole) and fund financial statements (reporting the Township's major funds). The government-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Township's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

**Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government

# Surrey Township

## Notes to Financial Statements

### June 30, 2006

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considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Library Fund is used to account for Library activities of the Township.
- The Fire Protection Fund is used to account for Fire Protection activities of the Township.
- The Rubbish Collection fund is used to account for Rubbish Collection activity of the Township.

Additionally, the Township reports the following:

*Surrey Lake Improvement Fund* – The Surrey Lake Improvement Fund accounts for proceeds from special assessments that are legally restricted for Surrey Lake Improvement expenditures.

*Lake 13 Improvement Fund* – The Lake 13 Improvement Fund accounts for proceeds from special assessments that are legally restricted for Lake 13 Improvement expenditures.

*Liquor Law Enforcement Fund* – The Liquor Law Enforcement Fund accounts for proceeds from liquor law enforcement that are legally restricted for liquor law enforcement expenditures.

*Lake 13 Road* – The Lake 13 Fund accounts for proceeds from special assessments that are legally restricted for debt service.

*Surrey Lake Road* – The Surrey Lake Road Fund accounts for proceeds from special assessments that are legally restricted for debt service.

*Bear Lake Fund* - The Bear Lake Fund accounts for proceeds from special assessments that are legally restricted Bear Lake Improvement expenditures.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

### Property tax revenue

Property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of the County and the school district within the Township limits. Real property taxes not collected as of March 1 are turned over to Clare County for collection, which advances the Township 100% of the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The Township acts as a collection agent for Clare County, the Farwell Area School District and the Clare Gladwin Regional Education Service District's property taxes.

# Surrey Township

## Notes to Financial Statements

### June 30, 2006

Taxes collected on behalf of the school districts and Clare County are turned over to the districts and the County immediately following collection and are accounted for in designated tax collection funds.

The 2005 taxable value of the government totaled \$85,930,652. The tax levy for that year was based on the following rates:

	Millage Rate Used	Authorized Millage Rate Per Township
General operating	0.6274	0.7000
Fire	2.5000	2.5000
Library operating	1.9088	2.0000
	5.0362	5.2000

#### Assets, liabilities and net assets or equity

*Cash and cash equivalents* – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Additionally, each fund's equity in the Township's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Investments are stated at fair value, (quoted market price or the best available estimate).

*Receivables and payable* – In general, outstanding balances between funds are reported as "due to/from other fund." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

*Prepaid items* – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital assets* – Capital assets, which include buildings and improvements, land improvements, furniture and equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All capital assets are depreciated using the straight-line method over the following useful lives.

Land improvements	10 to 20 years
Building and building improvements	20 to 50 years
Furniture, equipment and vehicles	5 to 15 years

*Long-term obligations* - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

*Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Surrey Township

## Notes to Financial Statements

### June 30, 2006

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### Comparative data

Comparative data is not included in the Township's financial statements.

#### NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

The Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	Total <u>Appropriations</u>	Amount of <u>Expenditures</u>	Budget <u>Variance</u>
Library Fund			
Operating supplies	\$ 3,000	\$ 9,449	\$ 6,449
Books and periodicals	30,000	37,521	7,521

#### NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 863,433
Fiduciary funds	<u>509</u>
Total	<u>\$ 863,942</u>

The breakdown between deposits is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking and savings accounts, certificates of deposit)	<u>\$ 863,433</u>	<u>\$ 509</u>

*Interest rate risk* – The Township does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

*Credit Risk* - Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2006**

insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligation of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board authorized all of the investments allowable under Michigan law.

*Concentration of credit risk* – The Township has no policy that would limit the amount that may be invested with any one issuer.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$623,081 of the Township's bank balance of \$923,081 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUE**

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
<b>Primary government</b>		
Road assessment liens receivable	\$ 88,922	Lake 13 debt retirement
Road assessment liens receivable	<u>44,024</u>	Surrey lake debt retirement
	<u>\$ 132,946</u>	

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unearned
<b>Primary government</b>	
Road assessment liens receivable	<u>\$ 132,946</u>



**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 74,870	\$ -	\$ -	\$ 74,870
Capital assets being depreciated				
Land improvements	3,000	-	-	3,000
Buildings and improvements	1,166,439	-	-	1,166,439
Furniture and equipment	451,425	19,780	-	471,205
Vehicles	707,721	-	-	707,721
Capital assets being depreciated	2,328,585	19,780	-	2,348,365
Less accumulated depreciation for				
Land improvements	(500)	(300)	-	(800)
Buildings and improvements	(287,039)	(24,523)	-	(311,562)
Furniture and equipment	(310,028)	(22,374)	-	(332,402)
Vehicles	(449,477)	(39,662)	-	(489,139)
Accumulated depreciation	(1,047,044)	(86,859)	-	(1,133,903)
Net capital assets being depreciated	1,281,541	(67,079)	-	1,214,462
Governmental activities capital assets, net	\$ 1,356,411	\$ (67,079)	\$ -	\$ 1,289,332

Depreciation expense was charged to programs of the primary government as follows:

**Government activities**

General government	\$ 12,730
Library	16,919
Fire protection	50,325
Public works	1,658
Rubbish collection	5,227
Total governmental activities	\$ 86,859

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of long-term debt entered into on behalf of the Surrey Lakes Special Assessment District, Lake 13 Special Assessment District and the Township's Fire Truck note payable.

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Special assessment obligations									
Surrey Lake Road	\$ 226,000	2009	5.10%	\$17,833 - \$21,676	\$ 76,173	\$ -	\$ 28,217	\$ 47,956	\$ 15,197
Lake 13	239,000	2011	5.00%	\$15,197 - \$16,787	131,696	-	33,158	98,538	17,833
Installment purchase agreements									
Fire Truck note payable	205,911	2009	4.00%	\$42,332 - \$14,561	141,626	-	40,650	100,976	42,332
Total governmental activities					<u>\$ 349,495</u>	<u>\$ -</u>	<u>\$ 102,025</u>	<u>\$ 247,470</u>	<u>\$ 75,362</u>

Future principal and interest requirements for the special assessment bonds to be paid out of the debt retirement fund are as follows:

Year Ended June 30,	Principal	Interest	Total
2007	\$ 33,030	\$ 11,125	\$ 44,155
2008	34,696	5,706	40,402
2009	36,448	3,955	40,403
2010	20,644	2,116	22,760
2011	21,676	1,084	22,760
	<u>\$ 146,494</u>	<u>\$ 23,986</u>	<u>\$ 170,480</u>

Future principal and interest requirements for the notes payable to be paid out of the fire fund are as follows:

Year Ended June 30,	Principal	Interest	Total
2007	\$ 42,332	\$ 3,268	\$ 45,600
2008	44,057	1,543	45,600
2009	14,587	144	14,731
	<u>\$ 100,976</u>	<u>\$ 4,955</u>	<u>\$ 105,931</u>

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2006**

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**NOTE 7 - RISK MANAGEMENT**

The Township purchases commercial insurance to provide workers' compensation insurance, general liability, and property insurance. The Township also purchases commercial health insurance to cover health expenses for certain eligible employees. There were no significant reductions in insurance coverage from the prior year. Settlements from insurance providers have not exceeded insurance coverage for any of the past three years.

**NOTE 8 - ZONING AND ENFORCEMENT**

The State of Michigan requires local governmental units to restrict any surpluses during a year for zoning administration activities. The surpluses are to be carried over to subsequent years to fund future activity. Surrey Township had no surplus during the year ended June 30, 2006.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The Township participates in a defined contribution retirement plan administered by John Hancock Financial Services. The plan covers all members of the Township Board. The amount of contributions is based upon the length of service and amounts of compensation earned. The contributions amounted to \$8,170 for the year ended June 30, 2006. Payment to the plan represents the only liability of the Township.

**NOTE 10 – CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

Net assets as of June 30, 2006 were restated to record road assessment liens receivable for the Surrey Lake and Lake 13 special assessments for road paving. The result of this was to increase unrestricted net assets by \$163,740.

Neither entry had an effect on fund balances in the respective debt service funds.

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2006**

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Budget
Revenues				
Taxes	\$ 59,231	\$ 59,027	\$ 92,025	\$ 32,998
License and permits	6,100	6,100	3,334	(2,766)
State shared revenue	192,912	196,158	193,104	(3,054)
Charges for services	33,500	33,500	22,159	(11,341)
Interest income	3,500	3,500	7,847	4,347
Other revenue	1,000	900	3,092	2,192
Total revenues and other sources	296,243	299,185	321,561	22,376
Expenditures				
General Government				
Township board	105,155	102,555	77,908	(24,647)
Supervisor	9,443	9,443	9,193	(250)
Elections	9,200	5,200	4,211	(989)
Clerk	26,656	26,656	21,512	(5,144)
Board of review	2,050	2,050	959	(1,091)
Treasurer	23,868	23,868	22,246	(1,622)
Assessor	118,326	118,326	114,990	(3,336)
Township hall	21,700	24,700	21,111	(3,589)
Public Safety	15,200	18,200	16,549	(1,651)
Public Works				
Cemetery	40,500	27,100	24,163	(2,937)
Roads, highways and street lights	21,000	24,093	15,582	(8,511)
Sanitary landfill	6,000	6,000	5,468	(532)
Other expenditures				
Recreation	5,400	5,400	4,649	(751)
Planning and zoning	18,070	18,570	12,707	(5,863)
Capital outlay	-	14,500	14,127	(373)
Total expenditures and other uses	422,568	426,661	365,375	(61,286)
Net change in fund balance	(126,325)	(127,476)	(43,814)	83,662
Fund balance - beginning	338,440	338,440	338,440	-
Fund balance - ending	\$ 212,115	\$ 210,964	\$ 294,626	\$ 83,662

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Library Fund**  
**Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
Revenues				
State revenue	\$ 6,200	\$ 6,200	\$ 6,689	\$ 489
Property taxes	144,000	144,000	165,543	21,543
County penal fines	35,000	35,000	41,618	6,618
Charges for services	4,187	4,187	7,221	3,034
Interest income	800	800	-	(800)
Miscellaneous	500	500	2,780	2,280
	<u>190,687</u>	<u>190,687</u>	<u>223,851</u>	<u>33,164</u>
Total revenues and other sources				
Expenditures				
Wages and benefits	117,257	117,257	118,044	787
Operating supplies	3,000	3,000	9,449	6,449
Books and periodicals	30,000	30,000	37,521	7,521
Communications	3,000	3,000	1,996	(1,004)
Insurance and bonds	13,000	13,000	11,479	(1,521)
Utilities	11,543	11,543	9,003	(2,540)
Repairs and maintenance	4,300	4,300	3,446	(854)
Equipment purchases	2,139	2,139	3,905	1,766
Membership dues	4,608	4,608	4,421	(187)
Professional fees	-	-	1,500	1,500
Training and education	500	500	2,441	1,941
Miscellaneous	741	741	379	(362)
	<u>190,088</u>	<u>190,088</u>	<u>203,584</u>	<u>13,496</u>
Total expenditures and other uses				
Net change in fund balance	599	599	20,267	19,668
Fund balance - beginning	<u>143,689</u>	<u>143,689</u>	<u>143,689</u>	<u>-</u>
Fund balance - ending	<u>\$ 144,288</u>	<u>\$ 144,288</u>	<u>\$ 163,956</u>	<u>\$ 19,668</u>

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Fire Fund**  
**Year Ended June 30, 2006**

	Budgeted Amounts			Actual Over (Under) Budget
	Original	Final	Actual	
Revenues	\$ 209,933	\$ 209,933	\$ 227,434	\$ 17,501
Expenditures	211,933	211,933	186,508	(25,425)
Net change in fund balance	(2,000)	(2,000)	40,926	42,926
Fund balance - beginning	141,690	141,690	141,690	-
Fund balance - ending	<u>\$ 139,690</u>	<u>\$ 139,690</u>	<u>\$ 182,616</u>	<u>\$ 42,926</u>

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Rubbish Collection Fund**  
**Year Ended June 30, 2006**

	Budgeted Amounts			Actual Over (Under) Budget
	Original	Final	Actual	
Revenues	\$ 107,522	\$ 107,522	\$ 106,549	\$ (973)
Expenditures	107,522	107,522	76,320	(31,202)
Net change in fund balance	-	-	30,229	30,229
Fund balance - beginning	131,576	131,576	131,576	-
Fund balance - ending	<u>\$ 131,576</u>	<u>\$ 131,576</u>	<u>\$ 161,805</u>	<u>\$ 30,229</u>

**Township of Surrey**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
	Surrey Lake Improvement Fund	Lake 13 Improvement Fund	Bear Lake	Lake 13	Surrey Lake Road	
<b>Assets</b>						
Cash and cash equivalents	\$ 22,646	\$ 27,036	\$ 17,991	\$ 288	\$ 5,007	\$ 72,968
Road assessment liens receivable	-	-	-	88,922	44,024	132,946
<b>Total assets</b>	<u>\$ 22,646</u>	<u>\$ 27,036</u>	<u>\$ 17,991</u>	<u>\$ 89,210</u>	<u>\$ 49,031</u>	<u>\$ 205,914</u>
<b>Liabilities and Fund Balance</b>						
Liabilities						
Deferred revenue	\$ -	\$ -	\$ -	\$ 88,922	\$ 44,024	\$ 132,946
Fund Balance						
Reserved	-	-	-	288	5,007	5,295
Unreserved	22,646	27,036	17,991	-	-	67,673
<b>Total fund balance</b>	<u>22,646</u>	<u>27,036</u>	<u>17,991</u>	<u>288</u>	<u>5,007</u>	<u>72,968</u>
<b>Total liabilities and fund balance</b>	<u>\$ 22,646</u>	<u>\$ 27,036</u>	<u>\$ 17,991</u>	<u>\$ 89,210</u>	<u>\$ 49,031</u>	<u>\$ 205,914</u>



**Township of Surrey**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

	Nonmajor Special Revenue Funds				Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
	Surrey Lake Improvement Fund	Lake 13 Improvement Fund	Bear Lake	Liquor Law Enforcement Fund	Lake 13	Surrey Lake Road	
<b>Revenues</b>							
State revenue	\$ -	\$ -	\$ -	\$ 1,818	\$ -	\$ -	\$ 1,818
Special assessments	14,704	30,972	17,970	-	20,925	18,005	102,576
Interest income	140	377	21	-	42	158	738
Total revenues	14,844	31,349	17,991	1,818	20,967	18,163	105,132
<b>Expenditures</b>							
Surrey Lake improvement	8,056	-	-	-	-	-	8,056
Lake 13 improvement	-	27,956	-	-	-	-	27,956
Liquor law enforcement	-	-	-	1,818	-	-	1,818
Debt service							
Principal redemption	-	-	-	-	33,158	28,217	61,375
Interest	-	-	-	-	8,609	7,073	15,682
Total expenditures	8,056	27,956	-	1,818	41,767	35,290	114,887
Net change in fund balance	6,788	3,393	17,991	-	(20,800)	(17,127)	(9,755)
Fund balance - beginning	15,858	23,643	-	-	21,088	22,134	82,723
Fund balance - ending	<u>\$ 22,646</u>	<u>\$ 27,036</u>	<u>\$ 17,991</u>	<u>\$ -</u>	<u>\$ 288</u>	<u>\$ 5,007</u>	<u>\$ 72,968</u>



To The Township Board  
Surrey Township  
Clare County, Michigan

In planning and performing our audit of the financial statements of Surrey Township for the year ended June 30, 2006, we considered the Township's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 20, 2006, on the financial statements of Surrey Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Yeo & Yeo, P.C.*

Midland, Michigan  
July 20, 2006

## **CURRENT YEAR COMMENTS**

### **BOARD REVIEW OF FINANCIAL STATEMENTS**

It was noted during our review of June 2006 board minutes that the board has decided to only review financial statements on quarterly basis, instead of monthly. The board still reviews monthly check register.

#### **Recommendation**

We recommend that the Board continues to review financial statements on monthly basis. This is especially important because the Clerk and Treasurer are performing all transactions in the monthly accounting cycle and the only independent review is performed by the Board during the monthly review of financial statements. Quarterly review also creates potential for asset misappropriation to go undetected for several months.

### **LIBRARY DISBURSEMENTS**

During our disbursements testing we have noted that library disbursements are not always supported with complete documentation, which creates difficulty in correctly recording the disbursement.

#### **Recommendation**

Supporting documentation (vendor's invoice, receiving report, etc.) is necessary documentation, which is required to be maintained as a proof of purchase for goods or services. Also since the library is a component of Townships regular operations every disbursement should be supported by adequate documentation.

## **PRIOR YEAR COMMENTS**

### **CREDIT CARD USAGE**

Currently there are several employees who have Township's credit cards. The monthly credit card statements are not reviewed for reasonableness and accuracy by the Township Board.

#### **Recommendation**

Monthly credit card statements should be reviewed for reasonableness by the Township board and the approval should be noted on the statements or in the Board minutes. This procedure would reduce the potential for possible credit card abuse.

**This recommendation has been implemented.**

## PETTY CASH

The Township does not record the petty cash account in the accounting records and does not track reimbursements and replenishments of petty cash.

### **Recommendation**

To properly account for the Township's assets, petty cash should be recorded in the accounting records. Also any reimbursements for petty cash should be accompanied by a receipt or appropriate supporting documentation.

**This recommendation has been implemented.**